

PROBLEM FACING BY PRIVATE  
DEVELOPER INVOLVING ABANDONED  
PROJECTS IN MALAYSIA

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## **SUPERVISOR'S DECLARATION**

I hereby declare that I have checked this thesis and in my opinion, this thesis is adequate in terms of scope and quality for the award of the Bachelor Degree of Civil Engineering.

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## **STUDENT'S DECLARATION**

I hereby declare that the work in this thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Universiti Malaysia Pahang or any other institutions.

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Thesis submitted in fulfillment of the requirements  
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## ABSTRAK

Projek terbengkalai telah menjadi salah satu masalah terbesar di negara ini yang telah merencatkan pembangunan di Malaysia sejak 1980-an. Walaupun era pertumbuhan yang semakin berkembang di Malaysia, hal ini tetap menjadi isu yang sering dibahaskan di Parlimen dan media sosial. Mengikut laman rasmi Jabatan Perumahan Negara, projek-projek terbengkalai ditakrifkan sebagai projek-projek yang memenuhi kriteria berikut, yang mana projek-projek tidak disiapkan di dalam atau di luar Perjanjian Jual Beli dan tidak ada aktiviti penting di tapak pembinaan dalam tempoh enam (6) bulan perkhidmatan berterusan; atau petisyen penggulungan telah difailkan di Mahkamah Tinggi di bawah Seksyen 218 Akta Syarikat 1966; atau diletakkan di bawah Penerima Rasmi dan Pengurus (Penerima & Pengurus); atau pemaju tidak dapat mengakui secara bertulis kepada Pengawal Perumahan; Projek-projek yang dibenarkan dan terbengkalai oleh Kementerian Perumahan dan Kerajaan Tempatan di bawah seksyen 11 (1) (c) Akta 118. Laporan Pemulihan Projek Terbengkalai 2017 telah menyatakan bahawa terdapat 254 projek perumahan terbengkalai yang telah disenaraikan di Malaysia. Antara isu yang telah diketengahkan mengenai masalah ini ialah sumbangan setiap pihak yang terlibat dalam pembinaan projek-projek yang mengakibatkan meninggalkan projek tersebut. Penyelidikan sebelum ini telah mengenal pasti pemaju swasta sebagai punca sebab pengabaian. Dengan kajian yang agak terhad mengenai isu ini, kajian telah dijalankan untuk mengkaji masalah yang dihadapi oleh pemaju swasta Antara kajian yang dijalankan adalah untuk menyiasat masalah utama yang dihadapi oleh pemaju swasta, dengan itu menyediakan soal selidik kepada pemaju, jurutera, perunding, pihak berkuasa tempatan dan lain-lain untuk mencari pandangan dan maklumat terperinci dari pihak ketiga yang mempunyai kepakaran dalam industri mengenai masalah dan cara untuk menyelesaikannya Perspektif responden telah dianalisis pada Indeks Kepentingan Relatif (RII). Responden menyatakan bahawa 'pemaju swasta meninggalkan projek mereka kerana sikap tidak beretika pemaju swasta yang menyebabkan penyalahgunaan modal projek dan penipuan' adalah masalah utama yang menyumbang dalam masalah perumahan terbengkalai dalam projek pembinaan. Akhirnya, mereka bersetuju bahawa 'meminda Akta Pembangunan Perumahan 1966 yang memperuntukkan kawalan dan pelesenan perniagaan pembangunan perumahan di Semenanjung Malaysia dan perlindungan kepentingan pembeli' dapat membantu meminimumkan masalah pengabaian ini.

## **ABSTRACT**

The abandoned project has been one of the biggest problems in the country which has deprived the development in Malaysia since 1980s. Despite the ever-expanding era of growth in Malaysia, this remains an often issues in Parliament and social media. According to the official site of the National Housing Department, abandoned projects are defined as projects which meet the following criteria, which projects are not completed within or outside of the Sale and Purchase Agreement and no significant activity on the construction site during the six (6) months of continuous service; or winding-up petition has been filed in the High Court under Section 218 of the Companies Act 1966; or is placed under the Official Receiver and Manager (Receiver & Manager); or the developer is unable to acknowledge in writing to the Controller of Housing; Authorized and abandoned projects by the Ministry of Housing and Local Government under section 11 (1) (c) of Act 118. Abandoned Project Recovery Division 2017 report stated that there were 254 abandoned housing projects have been listed in Malaysia. Among of the issue that has been highlighted regarding this problem is the contribution of each stakeholder that involved within the construction of the projects which resulting in abandoned the project. Previous researches has identified private developer as root of causes of abandonment. By its relatively limited research on this issue, a study was conducted to investigate the problem facing by the private developer regarding this problem. Among the studies undertaken is to investigate the main problem facing by private developer, thus providing questionnaires to developer, engineer, consultant, local authorities and others to seek the views and detailed information from third parties that expertise in the industry on problems and ways to solve these problems. The perspective of the respondents has been analyzed and ranked based on Relative Importance Index (RII). Respondents stated that ‘private developer abandoned their projects due to unethical attitude of private developer resulting in misuse of project capital and fraudulence’ are the major problem that contributes in abandonment problems of abandoned housing in construction project. Finally, they are agreed that ‘amending the Housing Development Act of 1966 which provides for the control and licensing of the business of housing development in Peninsular Malaysia and the protection of the interest of the purchasers’ can help to minimize this abandonment problem.

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## **LIST OF ABBREVIATIONS**

SPA	Sale and Purchase Agreement
RII	Relative Importance Index
MHLG	Ministry of Housing and Local Government
C&S	Civil and Structural
M&E	Mechanical and Electrical
UBBL	Uniform Building by Laws
ERP	Efficient Reviving Process
JPN	Jabatan Perumahan Negara
DHLG	Department of Housing and Local Government
SPV	Special Purpose Vehicle
MOF	Ministry of Finance
SPNB	Syarikat Perumahan Negara
HDA	Housing Development Account
TTPR	House Buyers' Claims Tribunal
CONQUAS	Construction Quality Assessment System

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

Malaysia is actively working to achieve Vision 2020 that has been introduced by former Malaysia Prime Minister, YAB Tun Dr. Mahathir bin Mohamad which involves transformation on the economic structure. One of the important agenda that been highlighted to make sure Malaysia is on the right track toward achieving economic prosperity were construction industry. Construction sector has been recognized as an effective and significant role that can assists in growth of other sector of economy. This sector will provide much more inspiring infrastructure showing the development and the living standards of the country. To realize that vision, Malaysia's government has placed construction as top priorities in development's plans (Raza, 2014). Among of the approaches that has been introduced is; to provide sufficient and suitable housing, building and accommodation to its citizens (Noorafiq, 2010).

However, the construction will considered succeed if the projects can be completed and delivered in time to the clients. In construction, it is possible delay will occur in the work progress due to various reasons which will affects many parties involved such as client and contractor, but it is unacceptable if the projects been abandoned by some irresponsible parties that will ruin the reputation of the construction industry. A housing project is generally defined as abandoned when the construction project is not completed and ready for occupation on schedule.



An abandoned project is defined by the Ministry of Housing as projects that meets the following criteria:

- The project is not completed within or later than the delivery date stated in the Sale and Purchase Agreement (SPA) and no significant activity is noticed at the construction site for six (6) continuous months, or
- Notice of winding up or 'Petisyen Penggulangan' has been registered in the High Court under Section 218 of the Companies Act 1966, or
- Company is under the Receiver and Manager, or
- Developers are not able to acknowledge in writing to the 'Housing Controller', and
- Confirmed as abandoned projects by the Ministry of Housing and Local Government under Section 11(1) of Act 118.

Even the construction industry has been developed throughout the Independence Day, the negative phenomenon keeps recurring which is abandoned house projects. Although housing, planning and construction laws and regulations have been passed by Parliament with the purpose of controlling and regulating the housing development industry in Peninsular Malaysia, it is regretted that, this catastrophe are still occur and persisting until today (Nuarrual, 2008). In result, the projects will require additional costs to recover and re-run the projects construction until it finished. Since 2009, the government has registered 254 abandoned private housing projects in Peninsular Malaysia, involving 64,290 residential units. The Minister of Urban Wellbeing, Housing and Local Government, Tan Sri Noh Omar said that the ministry had used RM 219.79 million from the government's fund to restore 32 projects out of the 190 projects (The Malaysian Reserve, 8<sup>th</sup> November 2017).

Table 1.1 Abandoned housing projects by state until December 2017

STATE	No of Projects	No of House Units	No of Buyers
<b>Johor</b>	44	8,839	5,807
<b>Kedah</b>	14	2,097	1,228
<b>Kelantan</b>	19	1,961	1,662
<b>Melaka</b>	8	1,503	1,072
<b>Negeri Sembilan</b>	25	4,340	03,110
<b>Pahang</b>	17	3,458	2,594
<b>Perak</b>	18	2,327	1,407
<b>Perlis</b>	0	0	0
<b>Pulau Pinang</b>	14	6,660	3,715
<b>Selangor</b>	82	29,483	20,788
<b>Terengganu</b>	4	340	293
<b>WP Kuala Lumpur</b>	9	3,632	2,010
<b>Total</b>	254	64,640	43,686

Source: Abandoned Project Recovery Division (2017)

There are two type of sector that involved in Malaysia construction institution which is public sector and private sector. The public sector is usually composed of organizations that are owned and operated by the government and exist to provide services for its citizens. Public sector for construction in Malaysia consists of Ministry of Urban Wellbeing, Housing and Local Government. While, the private sector is the part of a country's economic system that is run by individuals and companies, rather than the government. Most private sector organizations are run with the intention of making profit. Among of well-known private developer company in Malaysia is Sime Darby Property, Gamuda Land, Sunway Property and IJM Land Berhad.

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